

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

FONDA, ISLAND & BRIGGS LAKE  
JOINT WATER AUTHORITY

REPORT ON AUDIT OF  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

**FONDA, ISLAND & BRIGGS LAKE  
JOINT WATER AUTHORITY**

**AUTHORITY BOARD**

Kathleen Carney  
Don Davis  
Howard Harrington  
Christopher Kelley  
Stuart Riley  
Peter Robertson

**WATER AUTHORITY ATTORNEY**

Dykema Gosset

**WATER AUTHORITY AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

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**PFEFFER ■ HANNIFORD ■ PALKA**  
*Certified Public Accountants*

**John M. Pfeffer, C.P.A.**  
**Patrick M. Hanniford, C.P.A.**  
**Kenneth J. Palka, C.P.A.**

*Members:*  
*AICPA Private Practice Companies Section*  
*MACPA*

**225 E. Grand River - Suite 104**  
**Brighton, Michigan 48116-1575**  
**(810) 229-5550**  
**FAX (810) 229-5578**

February 15, 2005

Fonda, Island & Briggs Lake Joint Water Authority  
P.O. Box 638  
Brighton, Michigan 48116

**INDEPENDENT AUDITORS' REPORT**

Honorable Board of Trustees:

We have audited the accompanying financial statements of Fonda, Island & Briggs Lake Joint Water Authority as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Authority Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities of Fonda, Island & Briggs Lake Joint Water Authority as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year end in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15, the Authority has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Governments, as of December 31, 2004.

The Management's Discussion and Analysis on pages 6 and 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fonda, Island & Briggs Lake Joint Water Authority's basic financial statements. The supplementary information presented for purposes of additional analysis is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

*Pfeffer, Hanniford & Palka, P.C.*

PFEFFER, HANNIFORD & PALKA

MANAGEMENT  
DISCUSSION  
AND ANALYSIS

## Management Discussion and Analysis December 31, 2004

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Within this section of the Fonda, Island & Briggs Lake Joint Water Authority's financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2004. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

### Overview of the Financial Statements

Management's Discussion and Analysis introduces the Authority's financial statements. The financial statements include all the statements required by the Governmental Accounting Standards Board and the notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

### ***Government-wide Financial Statements***

The Authority's annual reports include two Authority-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these statements is the Statement of Net Assets. This is the Authority-wide statement of position presenting information that includes all the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Revenues, Expenses and Changes in Net Assets which reports how the Authority's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

The Authority's financial reporting includes all the funds of the Authority (primary government) and, additionally, organizations for which the Authority is accountable (component units). Since the Authority's sole purpose is to operate and manage a water system, only one fund is maintained. Thus, there are no fund financial statements prepared by the Authority.

### ***Notes to the financial statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

### ***Other information***

In addition to the financial statements and accompanying notes, this report also presents certain supplementary information. Other supplementary information includes a budget to actual reconciliation for current year Authority operations.

### Financial Analysis of the Authority as a Whole

The Authority's net assets at the end of the fiscal year were \$1,820,481. This is a \$42,229 decrease over last year's net assets of \$1,862,710.

The following tables provide a summary of the Authority's financial activities and changes in net assets:

#### **Summary of Net Assets**

	<u>12/31/2004</u>	<u>12/31/2003</u>
Current and other assets	\$ 207,903	\$ 208,764
Capital assets, net	<u>1,620,743</u>	<u>1,671,041</u>
Total assets	<u>1,828,646</u>	<u>1,879,805</u>
Accounts payable	<u>8,165</u>	<u>17,095</u>
Total liabilities	<u>8,165</u>	<u>17,095</u>
Net assets:		
Invested in capital assets	1,620,743	1,671,041
Unrestricted	<u>199,738</u>	<u>191,669</u>
Total net assets	<u>\$ 1,820,481</u>	<u>\$ 1,862,710</u>

Revenues from operations declined as summertime usage declined due to an unusually cool and rainy summer. Operating expenses increased slightly over the prior year, as general repairs and maintenance were performed on the system

As a result, net income decreased for the year ended December 31, 2004.



### Summary of Changes in Net Assets

	<u>12/31/2004</u>	<u>12/31/2003</u>
Operating revenues	\$ 104,430	\$ 101,294
Operating expenses	<u>172,536</u>	<u>172,604</u>
Operating (loss)	(68,106)	(71,310)
Non-operating revenues, net	<u>25,877</u>	<u>6,046</u>
Net (loss)	(42,229)	(65,264)
Beginning net assets	<u>1,862,710</u>	<u>1,927,974</u>
Ending net assets	<u>\$ 1,820,481</u>	<u>\$ 1,862,710</u>

### Capital and Debt Administration

As of December 31, 2004, the Authority does not have any outstanding long-term debt in the form of bonds or loans payable.

### Economic Factors and Next Year's Goals

The Authority's financial outlook continues to remain steady. The population in the service area is expected to remain constant to slowly rising, with several new hookups added during the fiscal year. The Authority is unencumbered by debt.

There was a small decline in revenue experienced in the fiscal year December 31, 2004 due to numerous residents shutting off their water service to live in Florida for part of the year. New connections are expected in 2005.

### Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have further questions about this report or request additional information, please contact the Authority at the water tower in Brighton, Michigan.

FINANCIAL  
STATEMENTS

FONDA, ISLAND & BRIGGS LAKE  
JOINT WATER AUTHORITY  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2004

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 69,358
Accounts receivable - billings	23,808
Prepaid expense	<u>3,594</u>

Total current assets		\$ 96,760
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CURRENT ASSETS - RESERVED

Cash and cash equivalents		111,143
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CAPITAL ASSETS

Land	125,000
Water system	2,201,885
Improvements	154,001
Office equipment	38,005
Expansion - Park/Parent Drive	<u>21,995</u>
	2,540,886
Less: accumulated depreciation	<u>(920,143)</u>

Capital assets, net		<u>1,620,743</u>
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Total assets		1,828,646
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 7,626
Payroll taxes payable	<u>539</u>

Total current liabilities		\$ 8,165
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NET ASSETS

NET ASSETS

Invested in capital assets	1,620,743
Unrestricted	<u>199,738</u>

Total net assets		<u>\$ 1,820,481</u>
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The notes are an integral part of the financial statements

FONDA, ISLAND & BRIGGS LAKE  
JOINT WATER AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2004

OPERATING REVENUES

Water billings	\$ 71,990
Hook-up fees	<u>32,440</u>

Total revenues		\$ 104,430
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OPERATING EXPENSES

Advertising	\$ 233
Accounting	6,650
Bank charges	461
Billing expense	3,622
Chemicals	3,364
Depreciation	69,448
Dues and subscriptions	300
Engineering	11,127
Insurance	13,266
Legal	4,893
License, fees	797
Miscellaneous	80
Office expense	2,119
Per diem	5,365
Repairs and maintenance	20,771
Taxes - payroll	1,540
Telephone	2,118
Utilities	6,382
Wages - office	2,389
Wages - system operator	16,803
Water testing fees	<u>808</u>

Total operating expenses		<u>172,536</u>
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Operating (loss)		(68,106)
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NON-OPERATING REVENUES

Rental and Reimbursement income	11,272
Sale of easement	12,500
Interest income - from cash, cash equivalents and investments	<u>2,105</u>

Total non-operating revenues		<u>25,877</u>
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Net (loss)		(42,229)
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NET ASSETS, JANUARY 1, 2004		<u>1,862,710</u>
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NET ASSETS, DECEMBER 31, 2004		<u>\$1,820,481</u>
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The accompanying notes are an integral part of the financial statements

FONDA, ISLAND & BRIGGS LAKE  
JOINT WATER AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	
Receipts from customers	\$ 104,430
Payments to vendors	<u>(118,315)</u>
Net cash from (used in) operating activities	\$ (13,885)
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to system	(19,151)
Easement	12,500
Rental and reimburse	<u>11,272</u>
Total cash flows from (used in) capital and related financing activities	<u>(4,621)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from operating	<u>2,105</u>
Net (decrease) in cash and cash equivalents	(7,159)
CASH AND CASH EQUIVALENTS AT JANUARY 1, 2004	<u>187,660</u>
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2004	<u><u>\$ 180,501</u></u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating (loss)	\$ (68,106)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation expense	69,448
Changes in assets and liabilities	
Receivables, net	(2,704)
Prepaid expenses	(3,594)
Accounts and other payables	<u>(8,929)</u>
Net cash provided (used) by operating activities	<u><u>\$ (13,885)</u></u>

The accompanying notes are an integral part of the financial statements

NOTES  
TO  
FINANCIAL  
STATEMENTS

FONDA, ISLAND & BRIGGS LAKE  
JOINT WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - DESCRIPTION OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ENTITY - The water Authority was formed as a corporate authority pursuant to the provisions of Act 196, Public Acts of 1952, as amended. Its primary purpose is to create, own, operate and maintain the water system. The system was constructed by the State of Michigan at no cost to the users. The expenses after completion of construction are to be incurred by the users. The accounts of Fonda, Island & Briggs Lake Joint Water Authority are organized as one proprietary fund (enterprise fund) which is considered a separate accounting entity.

A. SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an Enterprise Fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net assets, revenues, and expenses. Enterprise funds account for activities:

1. that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or
2. that are required by laws or regulations that the activity's costs of providing service, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar reviews; or
3. that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

B. MEASUREMENT FOCUS

The financial activities of the Authority are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the statement of net assets; revenues are recorded when earned, and expenses are recorded when liabilities are incurred.

C. CASH AND CASH EQUIVALENTS

The Authority considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

D. CAPITAL ASSETS

Capital assets are stated at cost. Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the related assets, which range from 5 to 40 years for equipment and 5 to 40 years for buildings, structures, and improvements.



FONDA, ISLAND & BRIGGS LAKE  
JOINT WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - DESCRIPTION OF ENTITY AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES - continued

E. CONSTRUCTION-IN-PROGRESS

The costs of acquisition and construction of major plant and equipment is recorded as construction-in-progress. As facilities are accepted by the Authority and become operative, they are transferred to the facilities and improvements or machinery and equipment accounts and depreciated in accordance with the Authority's depreciation policies. Costs of construction projects that are discontinued are recorded as expense in the year in which the decision is made to discontinue such projects.

F. CAPITALIZATION OF INTEREST

A portion of the interest cost incurred on capital projects is capitalized on assets that require a period of time for construction or to otherwise prepare them for their intended use. Such amounts are amortized over the useful lives of the assets.

G. PREMIUM AND ISSUANCE COSTS

Bond discount, premium, and issuance costs are amortized over the term of the related bonds. No bonds were outstanding or issued during the year ended December 31, 2004.

H. INCOME TAXES

As government agency, the Authority is exempt from both federal income taxes and Michigan Single Business Tax.

NOTE 2 - MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - BUDGETARY DATA

The Authority follows these procedures in establishing its budgetary data:

1. The Authority prepares the annual operating budget and submits copies to the Brighton and Green Oak Township Boards.
2. Public hearings are conducted to obtain Authority customers' comments.
3. The budget is legally adopted by approval of the members of the Authority's board.
4. Rate increases must be approved by the members of the Authority's board.

FONDA, ISLAND & BRIGGS LAKE  
JOINT WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The investment policy adopted by the Board is in accordance with Act 196 PA 1997. The Authority deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Authority's deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured        \$	176,114    \$	176,114
Uninsured and uncollateralized	<u>4,387</u>	<u>4,411</u>
Total deposits	<u>\$ 180,501</u>	<u>\$ 180,525</u>

**NOTE 5 - ACCOUNTS RECEIVABLE**

The Authority's billing periods are as follows:

February	through	April
May	through	July
August	through	October
November	through	January

Thus, accounts receivable includes both billed receivables through October 2004 and an estimate of the November and December 2004 billings. The following is a schedule of the Authority's accounts receivable:

<u>Estimated Unbilled</u>	<u>Current</u>	<u>Over 30 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
<u>\$ 11,815</u>	<u>\$ 0</u>	<u>\$ 11,993</u>	<u>\$ 0</u>	<u>\$ 23,808</u>

FONDA, ISLAND & BRIGGS LAKE  
JOINT WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 6 - CAPITAL ASSETS

Property, plant and equipment are recorded at cost. The cost of the water system and expansion is depreciated over a 50 year period using the straight-line method. The cost of office equipment and improvements is depreciated over 5 to 10 years, also using the straight-line method. Depreciation for 2004 totaled \$69,448.

The cost of the original water system from the State of Michigan, Department of Transportation, was as follows:

Land cost		\$ 125,000
Construction costs		
Water mains	\$ 1,116,427	
Water tank	264,389	
Water connection	226,566	
Water service	210,821	
Building site and equipment	183,436	
Well pumps	117,628	
Abandoned private wells	52,860	
Legal fees	<u>29,758</u>	
Total construction cost		<u>2,201,885</u>
Total system cost		<u>\$ 2,326,885</u>

FONDA, ISLAND & BRIGGS LAKE  
JOINT WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 7 - STATEMENT OF CASH FLOWS**

Pursuant to the Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less. The direct method was utilized to present cash flows from operations. The following summarizes beginning and ending cash and cash equivalents:

	<u>JANUARY 1, 2004</u>	<u>DECEMBER 31, 2004</u>
Current assets		
Cash	\$ 78,479	\$ 69,358
Reserved current		
Cash and cash equivalents	<u>109,181</u>	<u>111,143</u>
Total cash and cash equivalents	<u>\$ 187,660</u>	<u>\$ 180,501</u>
Reserved cash at beginning of year		\$ 109,181
Reserved interest on reserve		<u>1,962</u>
Reserved cash at end of year		<u>\$ 111,143</u>

**NOTE 8 - CAPITAL ASSETS**

	<u>Balance 1/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/04</u>
LAND	\$ 125,000	\$	\$	\$ 125,000
OFFICE EQUIPMENT	18,855			38,005
EXPANSION	21,995	19,150		21,995
WATER SYSTEM	2,201,885			2,201,885
IMPROVEMENTS	<u>154,001</u>			<u>154,001</u>
Totals	2,521,736	19,150		2,540,886
ACCUMULATED DEPRECIATION				
Water and sewer system	<u>850,695</u>	<u>69,448</u>		<u>920,143</u>
CAPITAL ASSETS, NET	<u>\$ 1,671,041</u>	<u>\$ (50,298)</u>	<u>\$ 0</u>	<u>\$ 1,620,743</u>

FONDA, ISLAND & BRIGGS LAKE  
JOINT WATER AUTHORITY  
NOTES OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8 - CAPITAL ASSETS - continued

Depreciation is computed using the straight line method. Useful lives of the proprietary assets are as follows:

1. Buildings	40 years
2. Machinery and equipment	5 - 10 years
3. Office equipment	5 - 10 years
4. Services - water & sewer	5 - 10 years
5. Water Tower	40 years

NOTE 9 - RESERVED ASSETS

The amounts shown as reserved assets are to be used for painting, replacement and improvement of the water system and water system components.

NOTE 10 - MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 11 - CONTINGENCIES

The Authority is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Authority.

NOTE 12 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

FONDA, ISLAND & BRIGGS LAKE  
JOINT WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 13 - SEWER BILLINGS

The system currently has 532 users that are billed quarterly for sewer service. Users are billed a minimum charge of \$ 50.00 per quarter for service.

NOTE 14 - SEGMENT INFORMATION

Selected financial information is as follows:

Operating revenue	\$	130,307
Depreciation		69,448
Total assets		1,828,646
Total fund equity		199,738
Net income (loss)		(42,229)

NOTE 15 - IMPLEMENTATION OF GASB STATEMENT NO. 34

The Authority has implemented the standards required by GASB Statement No. 34, for the year ended December 31, 2004. All required statements and disclosures have been included in the financial statements.

SUPPLEMENTARY  
INFORMATION

FONDA, ISLAND & BRIGGS LAKE  
JOINT WATER AUTHORITY  
SCHEDULE OF OPERATIONS -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Water billings	\$	\$ 71,990	\$
Interest		2,105	
Tap-in fees		32,440	
Rental and other income		<u>23,772</u>	
Total revenues	<u>\$ 136,500</u>	<u>\$ 130,307</u>	<u>\$ (6,193)</u>
OPERATING EXPENSES			
Advertising	\$	\$ 233	\$
Accounting		6,650	
Bank charges		461	
Billing expense		3,622	
Chemicals		3,364	
Depreciation		69,448	
Dues and subscription		300	
Engineering		11,127	
Insurance		13,266	
Legal		4,893	
License, fees		797	
Miscellaneous		80	
Office expense		2,119	
Per diem		5,365	
Repairs and maintenance		20,771	
Taxes - payroll		1,540	
Telephone		2,118	
Utilities		6,382	
Wages - office		2,389	
Wages - system operator		16,803	
Water testing fees		<u>808</u>	
Total operating expenses	<u>\$ 174,700</u>	<u>\$ 172,536</u>	<u>\$ 2,164</u>

This schedule is prepared on a budgetary basis for the operating accounts of the enterprise fund and as such does not present the results of operations on the basis of generally accepted accounting principles but is presented for supplemental information.



FONDA, ISLAND & BRIGGS LAKE  
JOINT WATER AUTHORITY

COMMENTS  
AND  
RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

**John M. Pfeffer, C.P.A.**  
**Patrick M. Hanniford, C.P.A.**  
**Kenneth J. Palka, C.P.A.**

*Members:*  
*AICPA Private Practice Companies Section*  
*MACPA*

**225 E. Grand River - Suite 104**  
**Brighton, Michigan 48116-1575**  
**(810) 229-5550**  
**FAX (810) 229-5578**

February 15, 2005

Board of Trustees  
Fonda, Island & Briggs Lake Joint Water Authority  
P.O. Box 638  
Brighton, Michigan 48116

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of the Fonda, Island & Briggs Lake Joint Water Authority for the year ended December 31, 2004, we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal controls.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Those matters are as follows:

1. COMMENT

The Authority was over budget.

RECOMMENDATION

The Authority should amend the budget before expenses exceed budgeted appropriations.

2. COMMENT

The Authority's water billing have decreased.

RECOMMENDATION

The Authority board should investigate the reasons for the billing decreases and make sure it isn't because residents are turning off for small periods of time.

This letter does not affect our report dated February 15, 2005 on the financial statements of Fonda, Island & Briggs Lake Joint Water Authority.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various Authority personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Pfeffer, Hanniford & Palka, P.C.*

PFEFFER, HANNIFORD & PALKA  
Certified Public Accountants